

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION HEALTH BENEFITS COMMITTEE

MINUTES OF MEETING

November 15, 2005

The Health Benefits Committee met on Tuesday, November 15, 2005, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, CA.

The meeting was called to order at 8:30 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
Ron Alvarado
James Zerio representing Philip Angelides
Robert Carlson
Rob Feckner
Michael Navarro
Charles Valdes
Nick Smith representing Steve Westly

Other Board members present:

Kurato Shimada Marjorie Berte Tony Oliveira Michael Quevedo

AGENDA ITEM 2 – ANNOUNCEMENT OF CLOSED SESSIONS

A closed session convened immediately to discuss 2006 Health Plan Contract Provisions and Rates and Potential Litigation – Employer Subsidy: Medicare Part D.

The Health Benefits Committee Open Session reconvened at 9:30 a.m. The Chair announced a second closed session would convene at 1:00 p.m. to discuss 2007 Health Plan Contract Negotiations.

AGENDA ITEM 3 – APPROVAL OF OCTOBER 18, 2005 HEALTH BENEFITS COMMITTEE MINUTES

The October 18, 2005 Health Benefits Committee minutes were corrected to reflect a motion made by Jim Zerio, during the Special Session, to rank Medco Health Solutions, Inc. as number 2 with a

score of 450 points and a substitute motion made by Rob Feckner, to rank Express Scripts as number 2.

The corrected minutes were approved by the Committee.

AGENDA ITEM 4 – RECOMMENDATION FOR APPROVAL OF AWARD OF CONTRACT NO. 2004-3521, PHARMACY BENEFIT MANAGER, TO THE SELECTED FINALIST

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, announced that they are still in contract negotiations with the selected finalist, Medco Health Solutions, Inc. A recommendation for approval of Award of Contract, will be brought forward to the Health Benefits Committee at the December 2005 meeting.

No action was taken on this item.

AGENDA ITEM 5 – STATUS OF CONTRACTING AGENCY ENROLLMENT AND MARKETING EFFORTS

As an information item, Holly Fong, Chief, Office of Employer and Member Health Services, presented information on new and terminating contracting agencies in the CalPERS Health Program and gave an overview of future marketing efforts to promote program visibility. As a direct result of staff's marketing efforts, 17 new agencies have been added to our health program in 2005. Conversely, 21 agencies have terminated their participation in the CalPERS Program. Some of the reasons sited for leaving are; premium costs, retiree costs, access to providers and benefit flexibility. CalPERS membership continues to decline, but at a much slower pace. Staff will continue to focus on outreach and education activities to increase CalPERS Health Program's visibility to potential agencies.

AGENDA ITEM 6 - MEDICARE PART D IMPLEMENTATION

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented a brief summary of the Medicare Part D implementation options to the Committee for consideration. Mr. Krolak pointed out that staff have added more information than what was provided at the October 2005 Health Benefits Committee meeting.

Debbie Endsley, representing Michael Navarro, recused herself from this item as the State Employer has a possible conflict with this issue.

On **MOTION** by Robert Carlson, **SECONDED** and **CARRIED**, the Committee recommended to request a formal opinion from the California Attorney General on the issues related to receipt of the Medicare Part D Retiree Drug Subsidy payments (and similar payments received by Kaiser) from the Federal Government for all PEMHCA Medicare plans (including Kaiser).

The following people spoke on this item:

Milt Dobkin, California Faculty Association and CSU ERFA Steve Larson, City of Garden Grove Barbara LaPlante, CSEA Retired Division Mike Richard, CSEA Retired Division Ron Bywater, CDF Firefighters

AGENDA ITEM 7 – PROPOSED AMENDMENTS TO 2006 CCPOA AND PORAC HEALTH BENEFITS TRUST

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented information regarding the proposed amendments to the 2006 CCPOA and PORAC Health Benefits Plans and the impact of AB 587. Staff recommended that the Board not approve the proposed changes until the legislation and supporting administrative functions can be appropriately adjusted to eliminate any negative impact to members.

Shane Talbot on behalf of the PORAC Insurance and Benefits Trust stated his opposition to staff's recommendation. Mr. Talbot provided material to the Committee requesting to return the subsidy amount of Medicare eligible members enrolled in the PORAC supplemental to Medicare health plan in the form of a premium reduction. By direction of the Chair, CalPERS staff will provide technical support to PORAC, should they wish to draft a legislative amendment to AB 587 addressing the impact concerns.

Taneisha Spain on behalf of the CCPOA Benefit Trust Fund stated that CCPOA was withdrawing their previously proposed amendment.

On **MOTION** by Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to not approve the proposed amendments to the 2006 CCPOA and PORAC Health Benefits Plans.

AGENDA ITEM 8 – BOARD'S ADMINISTRATIVE DECISION ON GASB 43 AND 45 – CONSIDERATION OF PRE-FUNDING RETIREE MEDICAL BENEFITS

Ken Marzion, Assistant Executive Officer, Actuarial and Employer Services Branch, provided a brief overview of three possible business models for implementing Governmental Accounting Standards Board (GASB) statements 43 and 45 and the financial impact of these options.

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommended the Board direct staff to (1) seek a funding source which will provide the necessary appropriation of funds to implement any of the three business models proposed by staff, and (2) direct staff to finalize an implementation plan for each business model.

George Appel, Sacramento Metropolitan Fire District, spoke on this item.

AGENDA ITEM 9 - ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, announced that Steve Larson, with the City of Garden Grove, will be retiring at the end of December.

AGENDA ITEM 10 – PROPOSED AGENDA FOR DECEMBER 13, 2005, HEALTH BENEFITS COMMITTEE MEETING

The proposed December 13, 2005, Health Benefits Committee meeting agenda was accepted by the Committee.

AGENDA ITEM 11 – PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 10:20 a.m. The Health Benefits Committee reconvened in a second closed session at 11:32 a.m.

The next meeting of the Committee is scheduled for December 13, 2005, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO
Chief Executive Officer